

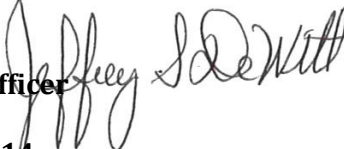
Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer 

**DATE:** November 17, 2014

**SUBJECT:** Fiscal Impact Statement – “Standard Deduction Withholding Clarification Emergency Act of 2014”

**REFERENCE:** Draft bill shared with the Office of Revenue Analysis on November 12, 2014

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**Conclusion**

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

The bill provides an important technical amendment, which, if not enacted, could prevent the District from effectively implementing its withholding policies. This would result in lower individual income tax collections beginning 2015.

**Background**

The bill is a technical amendment that is necessary to implement fully the District’s withholding policies.

In its Fiscal Year 2012 Budget Support Act,<sup>1</sup> the District enacted a provision requiring that employers exclude standard deductions from their withholding calculations starting January 1, 2012.<sup>2</sup> As a result, employers would have to withhold a higher amount of District income taxes from each employee’s paycheck.

The Budget Support Act provision that authorized the exclusion of standard deduction required technical corrections to make it applicable. The necessary amendments were adopted in

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<sup>1</sup> The provision enacted as Subtitle (VIII)(J) of Fiscal Year 2012 Budget Support Act of 2011, effective September 14, 2011 (D.C. Law 19-2, 58 DCR 6226).

<sup>2</sup> D.C. Official Code § 47-1812.08.

The Honorable Phil Mendelson

FIS: "Standard Deduction Withholding Clarification Emergency Act of 2014," Draft bill shared with the Office of Revenue Analysis on November 11, 2014

subsequent technical amendment legislation,<sup>3</sup> but these amendments were adopted on an emergency and temporary basis only, and since then, expired.

The legislation reenacts the technical amendments necessary to make the FY 2012 provisions applicable, so employers can continue to withhold higher amounts of District income taxes from employee's paychecks.

### **Financial Plan Impact**

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

If the District does not adopt this technical amendment, the District would not be able to implement fully its withholding policies. This would result in lower withholding collections beginning Tax Year 2015, and will therefore reduce income tax revenues beginning in the same year.

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<sup>3</sup> Section 7 of "Revised Fiscal Year 2012 Budget Support Technical Clarification Temporary Amendment Act of 2011" effective December 2, 2011 (D.C. Law 19-53; 58 DCR 8954).